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Date: 10/22/10 10:21 AM
Subject: SPPR TIP Funding - Facilities Charge Approach

Debby,

The Arizona Power Authority is pleased with the new approach presented for the separation of charges regarding the SPPR TIP, ED-5 to Palo Verde Project. The implementation of a new Facilities Charge Contract will allow Western accounting to keep track of the funds utilized to build this new TIP Transmission improvement and allow transparency to the process. This will also allow others to join in the costs/benefits if they choose. Although the process has not been fully developed, we are supportive of the intent and look forward to future discussions describing this innovative approach in more detail.